DIRECTIONS FOR A NATIONAL AGRICULTURAL DEVELOPMENT STRATEGY FOR CANADA

"Saskatchewan's Partnership for Agriculture"

First Ministers' Conference
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PREFACE

Canadian agriculture is facing difficult times in a turbulent world economy. Farm incomes are threatened by the low commodity prices and continuing high interest rates associated with North American monetary policy. Agricultural subsidies and regulation across the western world are distorting the natural comparative advantage of Canadian agriculture. A protectionist tide is denying access to the shifting balance of world trade. In the Prairies, natural disasters in the form of grasshoppers, severe drought and early snows add additional hardships and complications to the agricultural economy.

Yet, in this year of acute agricultural difficulties, it is important to note the successes achieved by this remarkable Canadian industry. Over the years agricultural productivity has been at the forefront of economic progress so that production improvements have been able to offset the declining real prices of grains. New export records have been routinely set. Canadian food and agricultural technology is a major actor on the international stage. And, in 1985, I am pleased to report that a crop has been successfully harvested in spite of the early snows.

Canadian agriculture has historically been central to national economic policy and even today remains the cornerstone of our international trade, rural economies and communities, many of our cities and for much of our industry. We live in a growing, hungry world where the next technological wave is said to be in biotechnology and biological engineering. It is clear that Canadian agriculture can have a continuing and expanding role in meeting world food needs.

In preparing for this Conference, I have had lengthy discussions with many farm groups, individual farmers, academics and leaders in Canada and abroad on the issues, opportunities and options available to Canadian agriculture. I have travelled extensively in the drought zone and seen the problems of the emergency first hand. My government raised agriculture onto the national agenda at the Annual Premiers' Conference in St. John's, Newfoundland. In October, I visited Washington and heard directly the difficult realities of the U.S. tide of protectionism. For the past three months my government has been formally and informally consulting with farm groups, many of whom have submitted briefs on this subject. This time last month, many of these farm organizations met in Saskatoon to discuss their approaches to the issues.

I am impressed that there is a growing consensus on the nature and magnitude of the problems in the agricultural environment that farmers and governments jointly face. We agree that the situation is serious, but there is also an emerging willingness to examine and to try new solutions. Natural disasters require a more effective

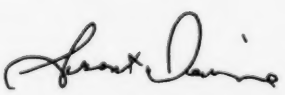
policy response. Farm finance, trade, resource management, regulation and technology all require the attention and modification necessary to sustain our family farms in an increasingly competitive world environment. Canadian farmers are leaders in world agriculture. National policy at home and abroad must aggressively support and develop that role.

It is, therefore, timely that we now meet as First Ministers to discuss our agricultural options and to determine new approaches. The conditions we face are serious but not insoluble; major opportunities remain. Saskatchewan is therefore proposing a new **Agricultural Development Strategy for Canada** that will incorporate the early preparation of a **Natural Disaster Emergency Relief Program.** As First Ministers, it is our duty and responsibility to initiate and lead this process.

Governments, federal, provincial, or territorial, cannot and should not do this work in isolation, but must work with our farmers and farm organizations to bring forward the policy changes and reforms necessary to re-establish the environment for agricultural growth and for the profitability of our family farms. The views received by Saskatchewan from many agricultural interest groups offer a constructive start to this process.

The following paper on **"Directions for a National Agricultural Development Strategy in Canada"** and the supporting background papers on Emergency, Trade, Finance and Technology and Resource Development have been developed following extensive review and consultation. Together they set forth my government's priorities for agricultural action at provincial, national and international levels.

I am confident that, as with this year's harvest, farmers and governments can do the job. Together they can create the new **National Agricultural Development Strategy** necessary for Canadian agriculture to compete and prosper in difficult times while meeting the food needs of a hungry planet.



Grant Devine
Premier of Saskatchewan

Regina, Saskatchewan
November, 1985

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DIRECTIONS FOR A NATIONAL AGRICULTURAL DEVELOPMENT STRATEGY IN CANADA

INTRODUCTION

National agricultural policy has often been at the center of Canada's economic development. The settlement of Western Canada and the establishment of the grain economy was founded upon the then new technologies of rail and sea transportation and seed breeding and a market access secured through the Empire preference. Again in the Depression of the 1930s disruptions of world monetary and trade policies accompanied by droughts required an agricultural policy response that came in the form of the Canadian Wheat Board, and government financing and land management initiatives.

Today, Canadian agriculture faces similarly disruptive times. Low agricultural commodity prices, high and volatile interest rates associated with North American monetary policy, shifts in world trading patterns and growth in agricultural subsidies, regulation, and protection threaten the natural comparative advantage of Canadian agriculture.

For many in Canada today, agriculture has become a small, declining and often invisible part of the national economy. Yet this perception belies the central role that agriculture continues to play in our country. Farm families are the very foundation for the economic, social and community structure of most of rural Canada and for many of our cities. The national transportation infrastructure that today serves the needs of a diverse economy was largely paid for by farmers. Agricultural trade accounts for almost one-third of the national trade surplus. Agricultural supply and processing industries are a secure foundation for the industrial heartland. The employment and income effects of agriculture extend far beyond the farm gate.

Today, Canadian agriculture and governments face a dilemma. Simultaneously, we observe our agriculture in severe financial stress in an increasingly hungry and growing planet. Stocks of food mushroom while much of the world starves. The natural soil resource that provides the foundation for our industry degrades. Regulation and subsidy often preclude change. Farmers stand at the forefront of the next wave of technology. Biological engineering, biotechnology and the widespread emergence of the information economy can offer significant benefits to the world and suggests a central role for agriculture. Major new and diverse food opportunities exist across the globe as the centers of population and related food preferences shift from Europe to the Pacific.

Agriculture is again at a watershed in its development in Canada. It is now timely to review the issues and opportunities that we face in agriculture and to take action to develop a new Agricultural Development Strategy for Canadian agriculture to grow into the next century. The paper which follows and the supporting background discussion documents on Trade, Farm Finance and New Technology and Resource Development and Agricultural Emergencies outline, from a Saskatchewan perspective, priorities for agricultural development policy in Canada.

The provincial position has been developed following consultations with many farmers and farm organizations and incorporates many of the views contained in the briefs presented by the Government of Saskatchewan as contributions to a new National Agricultural Development Strategy (see Annex A). Saskatchewan is committed to a process of agricultural policy formulation that directly involves the many agricultural interest groups whose views are presented in full in the accompanying document of Agricultural Briefs.

AGRICULTURE - CANADA'S FOUNDATION INDUSTRY

Agricultural development has been a secure foundation to the modern economic history of Canada. All regions of the country have prospered from the contributions of agriculture. This is apparent in the farms and farm families that make up rural Canada, and the thousands of communities that support and service the agricultural economy. Even today, many cities across the country are directly affected by the size of the harvest.

Agriculture's contribution is also apparent in Canada's transport infrastructure where grid roads, steel rails, trucks, trains and boats carry our agricultural exports to world markets. It is evident in the country elevators and the great grain terminals at Vancouver, Thunder Bay, Prince Rupert, Montreal, Quebec City and Baie Comeau. It is in the processing industries and packing plants scattered across the country and the fuel, fertilizer, chemical and farm machinery manufacturers that have grown up around a secure national economic resource. It is in the financing, research and government services that are still ultimately dependent on the productivity of the land.

For many in Canadians today, agriculture is an invisible industry. Food arrives on our domestic dinner tables from a supermarket. Few Canadians witness the production from the land, or know the end destinations of our exports. Farmers are nominally a declining part of the Canadian economy. In the last thirty years, the number of farmers in Canada has fallen by one-half to 314,000. The sector's direct contribution to national output stood at 3 percent in 1984 and employment at 476,000.

Yet, these statistics grossly underestimate the central role that agriculture continues to play in many aspects of our national economy. The sector's direct importance ranges from 15 percent of

real output in Saskatchewan to less than one half of one percent in Newfoundland. The many and diverse economic activities based upon servicing, supplying, distributing, selling, financing and regulating the farm economy are now much larger than the farm sector itself. The national food bill is in the order of $30 billion. Nearly one-quarter of a million Canadians work in the food and beverage sector that is so highly dependent on agriculture.

Agricultural exports represent about 10 percent of total merchandise exports. More important, the net balance of trade in agricultural products (exports less imports) has historically been positive. This surplus in agricultural trade accounted for about 30 percent of the cumulative trade surplus in the 1980-84 period. Grain and livestock exports alone accounted for more than half of the overall national trade surplus.

> "The prosperity and future viability of Western Canadian farm machinery manufacturers are dependent upon a healthy agricultural base." (Prairie Implement Manufacturers Association brief)

A review of agricultural linkages in the Canadian economy confirms the sector's importance. Nearly one-fifth of railway rolling stock and one quarter of coastal shipping is allocated to agriculture. A $100 million change in grain exports generates a total employment impact of 4,430 person years that is felt across Canada. The list of agriculturally sensitive industries is long, including food and beverage, tobacco, fertilizer, industrial chemicals, farm machinery, fuel, oil, university research, and government regulation. Over 40 percent of the Prairie labour force in urban centers larger than 10,000 are still directly dependent on agriculture. Similarly, the Macdonald Royal Commission on the Economic Union estimated that 1.5 million Canadians or 15 percent of all Canadian employees were directly engaged in the agri-food business.

THE CHANGING AGRICULTURAL ENVIRONMENT

> "The agricultural sector is in the middle of a fundamental and likely permanent restructuring." (Combined Income Farmers Brief)

> "The past decade has seen non-traditional external pressures develop such as extremely high interest rates, rapid shifts in foreign exchange values, sharp increases in energy costs and rapid inflationary increases in input costs." (Saskatchewan Pork Producers Marketing Board brief)

In the 1980s, many aspects of the environment facing agriculture have changed. Through the 1970s expanding world markets, creeping inflation and low real interest rates led to agricultural policy concerns in such areas as access to credit, production capability and export delivery capacity. New conditions in world agricultural trade

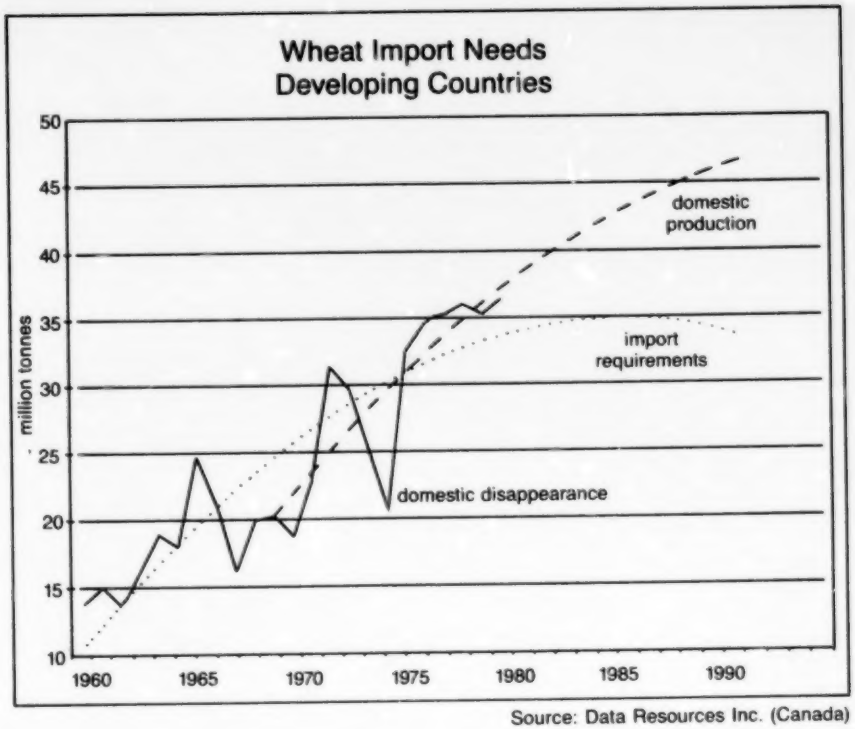
and international monetary policy, developments in technology and resource management and recent experience with natural disasters call into question many of the traditional approaches to agricultural policy.

The Market Framework

The world market for Canada's agricultural production has changed significantly in recent years. Domestic markets for Canadian agriculture, given their low rates of population growth and low elasticity of demand for food, are alone simply not going to grow fast enough to justify the level of institutional support that Canadian governments, federal and provincial afford to agriculture. The future lies in outward looking agricultural policies directed towards maintaining and further developing Canada's role in the world food industry.

The world market for Canada's agricultural exports has changed markedly. For the past decade, agricultural trade has not been a serious problem. Canadian farmers have been able to sell virtually all they could produce. Today agricultural subsidies in North America, the European Economic Community and in the Third World have seriously distorted the patterns of agricultural production and food trade. Subsidies threaten the economic viability of many areas of natural comparative advantage. Many traditional markets for Canadian food exports, like the United Kingdom, have developed a significant agricultural export capacity and directly compete with Canada for their share of world food trade. The world food surplus, generated in part by subsidies, is a major factor in the falling real prices for agricultural products that contribute to farm financial problems in Canada.

Agricultural development in the Third World has advanced often in response to the international debt crisis and the belated effects of the Green Revolution. Many countries are reducing their anticipated requirements for cereal imports. Self-sufficiency drives by India, China and other developing countries effectively reduce demand for Canadian agricultural products and bring new competitors into the increasingly competitive market place of world agricultural trade.



Source: Data Resources Inc. (Canada)

Increased efforts are required to integrate our aid efforts with our agricultural trade interests to overcome the all too common transportation import and distribution constraints for many Third World countries. New marketing and market development practices are required by the Canadian trading community to recognize the reality of barter and counter-trade with the many foreign exchange short countries of the Third World and the Soviet bloc.

> "We should also be paying attention to the Soviets and other customers when they express concern about balance of trade" (Esmond Jarvis, Chief Commissioner, Canadian Wheat Board, Saskatoon, October 28, 1985).

The market focus for Canadian agricultural trade is shifting from Europe and North America towards the Third World and the Pacific Rim. The most rapidly growing markets for agricultural exports in the world today are the middle income developing countries, where high rates of population and per capita income growth and a switch in tastes from cereal to livestock consumption is causing domestic demand for agricultural products to grow more rapidly than their supply. Cereal demands are shifting from wheat to feed grains. Canadian agriculture needs to take advantage of these new market opportunities in middle income developing countries as our old markets in the developed world recede.

Capturing new markets will not be easy. The Europeans and the Americans are after the same sales. The competition will be

tough. Canadians must become far more aggressive and adaptable in our own trade interests. Market pricing strategies should be examined. Domestic constraints that continue to inhibit Canada's access to world markets must be lowered. Barriers that exist throughout the Canadian farm and export delivery system warrant review and improvement, including the licensing delays that took ten years to bring HY320 to the market, domestic product grading that precludes access to offshore markets, elevator, terminal and port regulations across Canada, and the institutional marketing framework centered in the Canadian Wheat Board and the Canada Grains Council.

> "It is clear that the Canadian grain industry must, as a net exporter, be particularly mindful of the realities of the world marketplace." (Western Canadian Wheat Growers Association brief)

Canada is a major actor in the world of agricultural trade. It is time for a National Agricultural Policy to recognize and support this fact. Canada must become more effective on the world stage by aggressively insisting on fair trading practices in world agricultural trade. To do so will require a higher position for agricultural issues on the national agenda and in GATT negotiations. Canada and other major world exporters must work together to promote agricultural trade. Agricultural exports are important to Canadian interests and provide major development opportunities in a rapidly changing world.

> "In negotiations regarding trade, it is important that agriculture receives the priority it deserves. It is important that Canada does not negotiate agriculture away for concessions in other industries." (Saskatchewan Canola Growers Association brief)

The Monetary and Fiscal Framework

There is a farm financial crisis in Canada today that is serious and threatens the viability of a large portion of a major Canadian industry and reduces the profitability of the rest of the sector. Low commodity prices, high interest rates, and declining land values have combined to place many farmers in a financial situation where high debt obligations cannot be met by currently depressed cash flows.

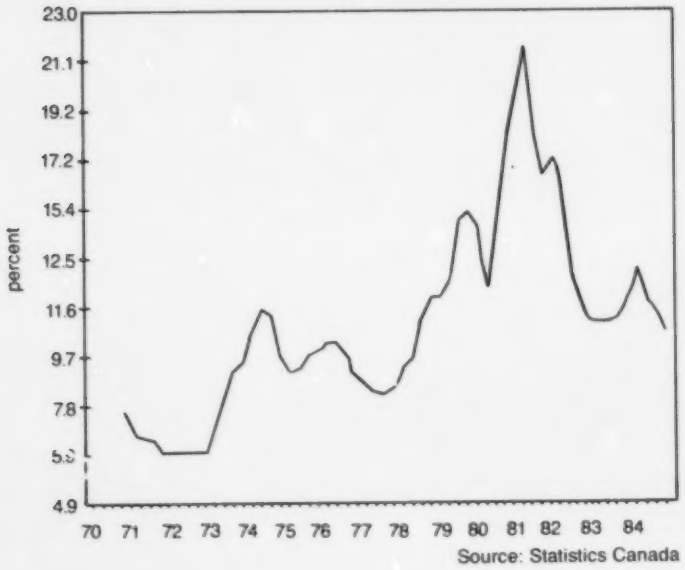
In recent years, approaches towards economic management have been on a roller coaster linked to monetary policy in the United States. Agriculture and its related financial infrastructure faced a world of expansionary monetary and fiscal policy through the 1970s accompanied by low real interest rates and high inflation. The 1980s has seen an abrupt reversal in this policy framework as inflation and the value of the Canadian dollar dropped and real interest rates rose.

The consequences for agriculture have been traumatic. Agriculture by its nature is an industry subject to substantial cyclical variations in its output and income. There is little as yet to control the

vagaries of the weather. The new monetary, fiscal and trade environments have placed a significant additional uncertainty into the economic climate. Interest rates are unacceptably high and volatile, a feature of particular significance for what is today a highly capital intensive industry. Floating exchange rates around the world preclude reliable estimates of export returns. Declining land values have introduced a further variance into the economics of farming. Offshore and domestic agricultural and trade policies open and close market access.

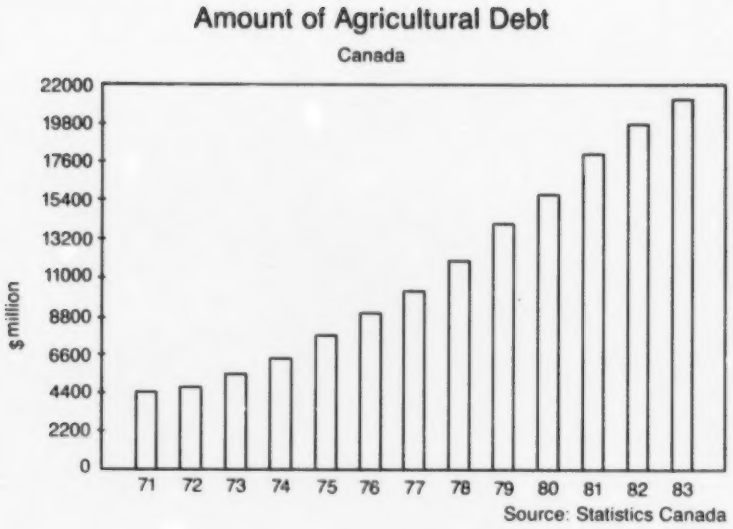
Canadian Prime Interest Rate

1970 - 1984



Source: Statistics Canada

The new monetary realities have created a substantial increase in the level of farm debt that increased by 50 percent between 1979 and 1983 to reach $21.2 billion. Farmers expanded during the 1970s to meet government expectations of growing export markets and were supported by public and private credit. Today many of these same farmers are severely over extended. The programs of banks, lending institutions and governments have required continual modification to meet the rapidly changing realities of the emerging farm financial crisis. Ongoing problems associated with the intergenerational transfer of farm land and assets have been seriously aggravated in the new financial climate with obvious implications for the future of an industry that already has a high and aging group of farm owners.



> "While there is a chronic problem in financing the transfer of farms from one generation to the next, this becomes more severe in times of downward adjustment in agricultural commodity prices. It is also compounded by distortions in interest rates associated with the instability of the international monetary system and by inflation and deflation, as has been experienced over the past decade." (College of Agriculture, University of Saskatchewan)

Changes in the financial climate clearly caught our agricultural community off guard. Although farmers are bearing the brunt of these changes, it is important to note that governments and the banking community must also shoulder their share of the responsibility for the current problems. Even today, the monetary and fiscal framework and related farm financing programs are too often tied to the economic realities of an earlier decade. It is time for governments and the private sector to recreate an environment in which the family farm in Canada can profitably grow and thrive.

> "There are now two classes of farmers. There are those low equity producers who are in the early part of their career and due to the cost of capital are high cost producers, and the most vulnerable to low commodity prices. The second class of farmers is the established producers who operate on high equity and can likely survive a period of low commodity prices." (Saskatchewan Pork Producers Marketing Board)

Clearly, part of the solution will lie in the degree to which Canada can adopt a less restrictive monetary policy. This is important for agriculture, but also for the many capital intensive resource industries that provide much of Canada's economic strength. Most economists agree that Canadian options are limited. Nonetheless, the direct importance of this area to many farm families across Canada, and which is readily apparent from their increased debt burden and monthly interest payments, dictates that every option for interest rate reduction, even at the expense of a lower dollar and modestly increased inflation, should be seriously considered.

Ultimately, Canada must balance its interest and exchange rate decisions with its domestic interests in employment creation, growth and inflation. The Canadian economic climate is improving. Output has continued to expand for the past 10 quarters. The economy in 1985 is demonstrating a renewed strength in many of the components that are crucial to sustained economic recovery. Capital intensive sectors, particularly agriculture, have not, however, benefitted from the economic recovery. There is a need to refocus the economic objectives of monetary and fiscal policy, with less emphasis on the exchange rate and more worry about the general economy. A less restrictive monetary stance by both Washington and Ottawa would be welcomed directly by farmers all across the country.

Within agriculture, it is necessary and timely to review the approaches and programs offered by government for farm credit. Priorities for review lie in the areas of intergenerational transfer of farm assets, addressing the current farm debt issues, reducing interest rate uncertainty and modifying the tax environment. There are many constructive options available for consideration and some are outlined in the background paper on the farm financial situation. They include the examination of such measures as agribonds, short term foreclosure protection, shared equity financing and reforms to the tax laws facing farmers, including the treatment of part-time farmers and taxes on farm inputs. Training to improve farm management and financial planning represents a further area where government officials, the lending and banking community as well as farmers can develop the new skills necessary for a less supportive financial climate.

Saskatchewan has already taken a number of initiatives that address the financial issues, through the Farm Purchase Program, the Farmland Security Act and Farmer Counselling and Assistance. While these provincial measures have had a degree of success, there are many more that can be made to improve the financial situation facing farmers.

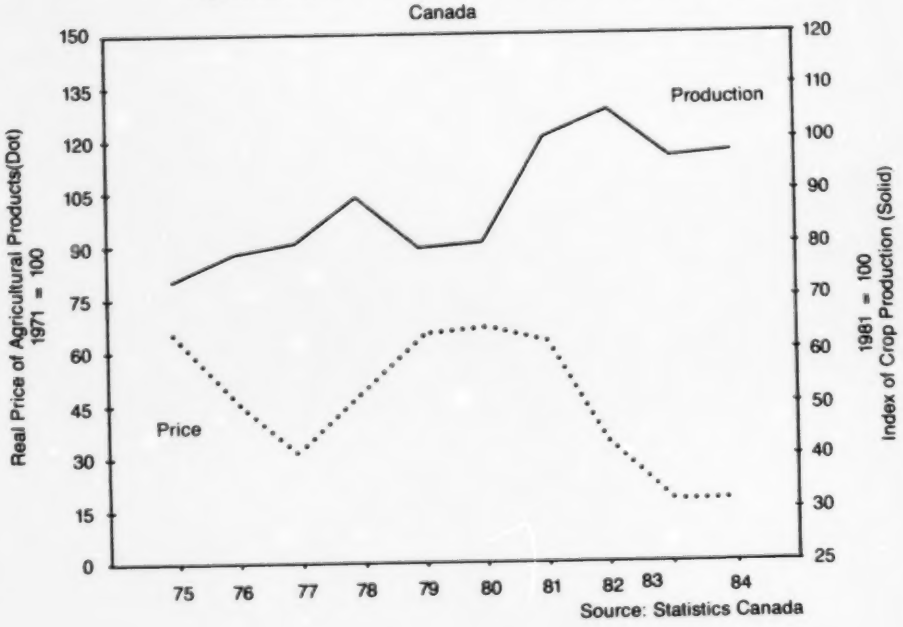
Canada must also examine its pricing strategies for agricultural products at home and abroad to ensure that maximum returns are captured for the farm economy. Many nations in the developed

world have domestic wheat pricing that supports farm revenues. In some offshore markets differential pricing strategies may be possible.

The Climate for Technology and Productivity Growth

Agriculture in Canada has always been at the leading edge of technology. New grain varieties at the turn of the century allowed the development of new export markets. Dominion Farms and later federal and provincial extension workers assisted in transferring the latest technology to the farmer. The production and productivity gains were impressive and have historically allowed Canadian farmers to offset declines in the real price of farm commodities. Major new Canadian industries developed from the commitment to research and technology. Between 1961 and 1975, $12 million was invested in canola research to create in 1984 a billion dollar industry.

Agricultural Production and Real Prices



Canada and the world stand at the edge of the next technological revolution that will be centered in biotechnology and genetic engineering and could radically transform agriculture. The Science Council of Canada predicts that within twenty years, 20 percent of all Canadian crops will have been developed through biotechnological processes. ("Seeds of Renewal," Ottawa, 1984)

> "As Canada heads towards the twenty-first century, the value of research will be of no less importance to the continued development of our agricultural industry." (Saskatchewan Association of Rural Municipalities brief)

Canada must actively promote the process of technological advancement rather than inhibit or prevent agriculture from achieving the productivity gains that have traditionally kept the farming community internationally competitive. The scope for improvement is extensive. Commitments to agricultural research, demonstration and extension require improvement. In Saskatchewan, the creation of a $200 million, five year Agricultural Development Fund represents a clear focus for this research. Saskatchewan, however, is only a small part of the solution. Federal research efforts through both Agriculture Canada and other granting and research agencies require a strengthened focus and sustained commitment. Federal agricultural spending on agricultural research has remained constant, while the cost of the research has mushroomed.

Promoting cost-competitive research must be a major element in any national agricultural research strategy and this may require some re-shaping of the location and focus of the research effort. Market oriented research can better serve the needs of farmers who in today's financial climate cannot afford to wait the 10 to 20 years for the next invention to emerge from the laboratory. Research aimed at the immediate cost and productivity needs of the farmer can show up directly on the bottom line. Accordingly, and in response to the market interests, Saskatchewan is supporting agricultural research and development initiatives that cut costs in today's environment. They include Rural Gasification and the Compressed Natural Gas Demonstration programs aimed at reducing the cost of farm fuels and the Farm Input Price Survey designed to lower farm input prices through the provision of timely information that can encourage comparison shopping by farmers and price competition between suppliers.

> "A great deal of research has been meaningless and useless mainly because of inadequate knowledge or directions. We would recommend that for future plans, producers should be consulted and allowed to participate more in the planning of research." (Saskatchewan Stock Growers Association brief)

Promoting agricultural technology, however, extends well beyond the confines of government or university research programs. The economic and regulatory environment is equally important for innovation and development. Too often research is science-driven rather than market-driven. Too often government regulations hinder the adoption of creative change.

> "Plant breeders rights are one change needed in Canada to ensure rewards to researchers are sufficient to attract more money and expertise into the agricultural research field." (Western Barley Growers Association brief)

For example, the licensing of new varieties of grain controls the choice of technology by farmers. The Canada Seeds Act still requires visual identification for both wheat and barley, in the age of high tech monitoring devices. Malt barley varieties must be visually identifiable from feed barley to be licensed for malting. The rationale for such regulation remains unclear and anachronistic, given that maltsters purchase barley on the basis of chemical content. Plant breeding legislation and regulation was developed for a bygone era with the requirement for visual distinguishability. The costs of such archaic regulation are significant, but perhaps most important they deny Canadian agriculture the freedom to realize the emerging opportunities for new crop development and productivity improvements necessary to compete in the rapidly changing world markets.

The fiscal framework for agricultural research requires attention if progress is to be made outside of the public sector. In the United States, venture capital plays an important role in the emerging field of agricultural biotechnology. While Saskatchewan provides a 30 percent income tax credit to investors in this field, there remains scope for federal and provincial governments to improve the fiscal environment for research.

The Resource Base

> "The Soil. Remember, we are only two inches away from becoming a desert." (Canadian Agriculture Movement - Saskatchewan Division brief)

The long term viability of Canadian agriculture will depend upon the nation's ability to manage our natural resources for the benefit of the current and future generations. Much of this task is implicitly in the hands of Canadian farmers. Wind and water erosion, soil salinization and the dramatic decline in soil organic matter levels are challenges which must be met, as many were in the 1930s, if Canada is not to lose a significant national resource. The College of Agriculture of the University of Saskatchewan estimates "the present cost of soil deterioration, borne fully be the producer, totals at least 0.5 billion dollars per year in Saskatchewan."

Improved resource management and conservation practices are important to allow farmers some degree of protection against the vagaries of a volatile and often harsh Canadian climate. Drought, flood, wind storms, hail and other natural disasters often stress the capacity of the natural resource. Improved farm management practices such as extended crop rotations, reduced tillage, snow traps, surface water management and irrigation provide some options to improve the long term productivity of the natural agricultural resource.

As Canada grows and market conditions change, Canada's best agricultural lands are being lost. Eighty-seven percent of Canada's best farmlands are located within 100 miles of the nation's largest cities. During periods of high grain prices, natural range lands have

been converted to crop production. The national stock of agricultural lands is being too rapidly depleted. Canada can turn to new agricultural territories in the north and it is interesting to note that Saskatchewan's first commercial farm in the late 1700s was located at Cumberland House in the north of the province at the 54th parallel.

> "A land use policy is needed to examine priorities and rationalize claims of many interest groups, remembering the necessity of ensuring a continuous base for production..." (Saskatchewan Womens' Institute brief)

Strengthening the agricultural production base through the effective management and development of Canada's natural resources is an essential element of a National Agricultural Development Strategy.

The Natural Hazards

Agricultural producers are vulnerable to a variety of natural hazards that include drought, floods, windstorms, frost, hail, insect infestations and crop diseases. The frequency of these events in Saskatchewan that since 1983 has included two major droughts in the south, a grasshopper infestation and two years of flooding in the north east tested the capacity of the agricultural safety nets currently in place and found them wanting. Farmers have suffered large, uninsured losses from diminished crop yields and livestock production that threatens the very survival of many farms in today's economic climate.

Federal and provincial governments have responded to these emergencies. The frequency of the ad hoc response (there have been over 60 federal programs since 1960), however, suggests the need to develop a new and more effective program for agricultural emergencies.

> "Part of our frustration in the current drought/grasshopper disaster is that there is no disaster legislation to help us. We require and ask for a permanent Federal/Provincial disaster program that covers losses from all types of natural disasters, including drought, insect infestations, and flood." (Farm Women's Action brief)

Current insurance and income stabilization programs do not provide adequate protection for either recurring emergencies or for local conditions. Producers need a more effective buffer against the immediate income losses associated with the disasters. Rural communities and Canadian industries and exporters require the certainty of a secure flow of agricultural products and demand for agricultural supplies.

It is clear that there are a number of actuarily sound options for an improved agricultural emergency program that could trigger

automatically when disaster hits. Options include modifications to crop insurance and/or stabilization programs, a disaster loan program, or a multi-year disaster protection plan. Each option has its advantages and disadvantages and is discussed in more detail in the background paper. Perhaps equally significant is the fact that each of these options represents a viable program alternative that could be implemented by spring 1986, in time for the planting of the new crop.

TOWARDS A NATIONAL AGRICULTURAL DEVELOPMENT STRATEGY

Opportunities in the Outlook

In today's agricultural environment, it is easy to become depressed over the future of agriculture in Canada. Natural disasters, farm financial crises, trade wars and distorting agricultural subsidies, and soil losses to salinity mask the great accomplishments and successes of Canada's agricultural economy. Canada is a major producer in the world food industry. Productivity gains and technology improvements have been substantial. In 1985, these enabled a crop to be harvested in two weeks that not long ago would have taken two or even three times as long.

The world population will increase by over 60 percent to reach 7.8 billion by 2020. World trade in cereal grains continues to grow and is predicted to rise by a further 30 percent by the next century. The shifting patterns of world food trade and related changes in tastes and preferences can be seen as lost markets or new opportunities. Research, resource management, genetic engineering and biotechnology all offer opportunities to improve agriculture's competitive position in world markets. Irrigation can help diversify the income streams and manage a scarce water resource.

Change is clearly a characteristic of today's agricultural environment, but this is not new. Over the years, farm families across Canada have shown their resilience to adapt and meet the competition. Developing a new Agricultural Development Strategy for Canada can help farmers and the agricultural community make the necessary adjustments to sustain agriculture as an essential and vital national resource.

Principles for Agricultural Growth

Restructuring the national agricultural policy framework requires a commitment to principles that will support agricultural growth in today's turbulent environment. Following discussions with farm organizations and farmers, the Government of Saskatchewan believes that a National Agricultural Policy Review should be guided by the following principles:

1. **Support for the family farm** as the most efficient and resilient organization of agricultural production;

2. **Economic neutrality of agricultural programs and regulations** to allow development and competitiveness based upon market forces;

3. **Outward-looking, aggressive international trade policies** to keep Canada internationally competitive and to enable access to new world market opportunities.

4. **Development of an effective, participatory agricultural safety net** to withstand the natural vagaries of the sector and to provide the stability necessary for investment and growth.

Priorities for Review

The Government of Saskatchewan has identified five priorities for substantive review and action. Together with the above principles, they would form a firm foundation for a new National Agricultural Development Strategy. Detailed recommendations and proposals associated with each priority area are contained in the accompanying background papers. The priorities are:

1. **A federal/provincial Agricultural Emergency Relief program** to be developed and implemented by Spring 1986.

2. **A review of farm credit provisions** with the object of addressing the pressing issues of interest rate instability, intergenerational transfer, debt management and financial planning.

3. **An examination of agricultural pricing strategies** in domestic and offshore markets to increase financial returns to Canadian farmers.

4. **An agricultural trade development strategy** that will include improvements to the institutional and regulatory framework, strengthened measures to secure Canada's position in world markets, enhancements to the merchandizing thrust, including use of Canadian aid programs, barter and countertrade and trade in agricultural services and value-added products.

5. **Enhanced research, technology and productivity initiatives** that will include a review the effectiveness of current performance, institutional, regulatory and fiscal barriers and the development of new market oriented, public and private research instruments.

6. **Natural resource management and development initiatives** to secure and improve the agricultural land base for future generations and developing the necessary infrastructure for irrigation, improved rangeland management and northern agricultural lands.

MAINTAINING THE PROCESS

In developing the priorities and positions expressed in this paper and the related background discussion documents, the Government of Saskatchewan has held many discussions with farm organizations, farmers, export agencies, supply companies, finance houses, banks, academics, and governments, federal, provincial and south of the border. It is apparent that there are many challenges that can be accompanied by opportunities for growth and development. No one government or agency has the exclusive monopoly on good ideas that can contribute to an improved policy framework for agriculture in Canada.

All those involved in Canadian agriculture have contributions to make and should share in the reshaping of a National Agricultural Policy. It is a partnership for progress that is fundamental and vital to the future well-being of agriculture, to national economic renewal and to the future of much of rural Canada.

The briefs presented to the Government of Saskatchewan in connection with the National Agricultural Strategy discussions identified a wide range of creative suggestions to address the many issues identified. An illustrative sample of these solutions is presented in Annex A and the briefs have been reproduced in full in the accompanying booklet. In developing a new national agricultural strategy in Canada, it will be essential to guarantee the full participation of farm organizations so that their wealth of experience, ideas and common sense can ensure a more effective policy framework for agriculture.

Generally, it is clear that the individual farmer is best able to decide which crop, livestock products, methods of farming or technologies are in his own best interest. Government should attempt to facilitate that change rather than hinder it. Saskatchewan is confident that the progress achieved to date in placing agriculture on the National Agenda can be sustained with producers and governments working together. New agricultural policies in Canada can go a long way to ensuring a second century of success and growth for Canadian agriculture. It is time for a new **National Agricultural Development Strategy for Canada** to improve and continue Canada's position as a leader in world agriculture.

SASKATCHEWAN RECOMMENDATIONS FOR ACTION

EMERGENCY

A new national agricultural emergency assistance program be jointly developed by the federal and provincial governments in conjunction with farm organizations by April 1986.

FARM FINANCE

1. Canada should adopt a less restrictive monetary policy with lower interest rates.

2. Canada must develop instruments that allow producers the option of buffer against short term financial instabilities.

3. Canada must adopt a fiscal and financial climate which facilitates the intergenerational transfer of farms.

4. Canada must introduce incentives to save viable farm operations which are in financial stress due to adverse changes in the economic and fiscal environment.

5. Taxes on farm inputs must be lowered.

6. Canada should examine domestic product pricing strategies that would increase financial returns to the farm economy.

7. Governments must work with producers to improve farm management expertise and farm financial planning.

TRADE

1. Federal and provincial governments must make every effort to ensure sustained and increasing access to North American and world markets.

2. At the federal level, one minister/ministry should have overall responsibility for agricultural trade, while the federal and provincial governments must ensure that their agricultural policies are consistent.

3. Canada should take a lead role in negotiating an international agreement to establish a proper environment for agricultural trade based on competition.

4. Canada should investigate bilateral trade agreements with present and potential trading partners.

5. All governments should work to eliminate barriers limiting and distorting interprovincial trade (marketing, transportation and production regulations).

6. Private traders should be permitted and encouraged to participate with the Canadian Wheat Board in larger, more diversified food deals.

7. Canada should co-operate with the private sector to investigate more innovative export financing schemes (e.g. export credits) and new methods of merchandising (barter arrangements).

8. Canada should investigate the possibility of joining with other producing nations in cartels for certain agricultural products.

9. Canada must review foreign aid/trade ties.

10. Canada should become a leader in research and development technology for agriculture in the Third World.

11. Canada should place more emphasis on market development for value-added food exports.

12. Canada should examine the options for differential pricing strategies for agricultural products in offshore markets.

TECHNOLOGY AND RESOURCE DEVELOPMENT

1. Canada should establish a National Agricultural Research Council.

2. Federal and provincial governments, private industry and producers should commit funds for the creation of additional research chairs for each College of Agriculture.

3. Technological adoption must be promoted through the training of more agricultural scientists and the upgrading of farmers' education and skills.

4. Federal and provincial governments should establish Irrigation Development Agreements in the context of a National Water Strategy.

5. Non-intensive irrigation (backflood, combination drainage/backflood and slough consolidation/backflood) should be promoted.

6. Federal and provincial governments should negotiate a National Soil Conservation Strategy while the adoption of soil conservation technology and practices should be promoted through financial incentives.

7. All governments should encourage greater private sector and producer participation in agricultural research by demonstrating the profitability of such activity.

ANNEX A

EXTRACTS OF SUBMISSIONS TO

SASKATCHEWAN BY

AGRICULTURAL ORGANIZATIONS

ANNEX A

Farm organizations requested to submit briefs to the Government of Saskatchewan as contributions to creating a new National Agricultural Development Strategy in Canada:

Association of Combined Income Farmers
Canadian Agricultural Chemicals Association
Canadian Agriculture Movement - Saskatchewan Division
Canadian Bankers Association
Canadian Fertilizers Institute
Canadian Organic Producers Marketing Co-operative Ltd.
Dairy Producers Co-operative
Farm Women's Action Committee
Federated Co-operatives Ltd.
Flax Growers of Western Canada
National Farmers' Union
Potash and Phosphate Institute
Prairie Implement Manufacturers Association
Saskatchewan Association of Rural Municipalities
Saskatchewan Beekeepers Association
Saskatchewan Beef Stabilization Board
Saskatchewan Canola Growers Association
Saskatchewan Chamber of Commerce
Saskatchewan Chicken Marketing Board
Saskatchewan Commercial Egg Producers Marketing Board
Saskatchewan Dehydrators Association
Saskatchewan Drought Committee
Saskatchewan Feedlot Association
Saskatchewan Institute of Agrologists
Saskatchewan Milk Producers Association
Saskatchewan Pork Producers Marketing Board
Saskatchewan Pulse Crop Development Board
Saskatchewan Sheep and Wool Commission
Saskatchewan Sheep Breeders Association
Saskatchewan Stock Growers Association
Saskatchewan Turkey Producers Marketing Board
Saskatchewan Vegetable Growers Association
Saskatchewan Vegetable Marketing Commission
Saskatchewan Veterinary Medical Association
Saskatchewan Wheat Pool
Saskatchewan Women's Institute
Saskatchewan/Manitoba Implement Dealers Association
Southern Saskatchewan Drought Committee
Southwest Drought Committee
United Grain Growers
University of Saskatchewan - College of Agriculture
Veterinary Infectious Disease Organization
Western Barley Growers Association
Western Canadian Fertilizer Association
Western Canadian Wheat Growers Association
Western College of Veterinary Medicine
Western Cow-calf Association
Western Fertilizer and Chemical Dealers Association

ILLUSTRATIVE LIST OF AGRICULTURAL POLICY AND PROGRAM PROPOSALS SUBMITTED TO THE GOVERNMENT OF SASKATCHEWAN BY FARM ORGANIZATIONS

Agricultural Emergencies

- a legislated disaster relief mechanism is necessary
- emergency mechanism should be tied to a drought avoidance program
- emergency programs should not discourage self-help and good farm management practice
- acreage payments for drought relief
- one hundred percent crop insurance coverage
- voluntary contributions to Western Grain Stabilization based on average crop insurance yields
- tax deferrals on income received when drought forces livestock herd dispersal due to emergency
- emergency assistance should be through universal programs rather than ad hoc and often selective program responses
- farm survey to assess effectiveness of crop insurance in disaster
- interest free cash advances with a five year repayment in event of emergency
- modify crop insurance and Western Grain Stabilization to offer disaster aid under crop insurance principles
- create a livestock feed reserve to deal with feed shortages during drought
- create a disaster relief fund with contributions from federal, provincial and municipal governments and producers
- review the disaster loan programs in the United States for their application to Canada

Farm Finance

- reduce interest rates in Canada
- increase emphasis on farm management counselling
- increase farm management extension
- review role of Farm Credit Corporation (FCC)
- offer low interest loans through the FCC

- interest relief
- debt moratoria
- debt deferrals, write downs and write offs
- agribonds to provide long term fixed rate capital
- interest rate ceilings
- counter cyclical interest rate subsidies
- reduce and/or remove farm input taxes
- farm foreclosure with lease back arrangements
- introduce farmer pension plans
- provide no financial subsidies

Agricultural Trade

- strengthen Canada's professional trade negotiating capacity
- diversify offshore markets to reduce risk
- increase the priority for agriculture in the GATT negotiations
- incentive programs to promote import substitution
- reduce the use of non-tariff regulations as barriers to trade
- allow world market price signals to reach the farm
- ensure domestic agricultural subsidies do not jeopardize market access offshore
- encourage crop diversification to access new offshore markets
- more efficient, lower cost grain transportation system
- participate in counter trade arrangements
- review domestic grain licensing arrangements
- parity pricing for domestic markets
- examine regional pricing strategies for international grain sales
- establish a Canadian international sales agency for food
- increase food aid

- do not use Canadian aid programs to create subsidized competition for Canadian agricultural exports

Technology and Resource Development

- improved co-ordination in federal and provincial research efforts
- research must be more market and results oriented and applied to practical farm needs, such as weed and pest control
- soil conservation must be pursued through improved farm practice that could include such items as improved winter wheat varieties, incentive programs, special cropping on problem soils, extension and changes in market and regulatory policies
- research efforts on grain varieties specific to the protein and energy requirements of livestock
- improve the tax incentives for agricultural research
- catalogue agricultural research to avoid duplication
- maintain government role in agricultural research to provide stability
- address plant breeders' rights
- create a crown corporation to promote agricultural research
- encourage producer participation in research through check offs and related tax incentives
- increase federal funding for agricultural research
- develop biological weed and pest controls